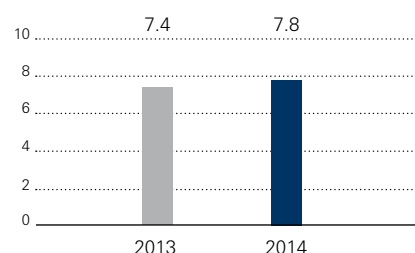


Group Interim Management Report

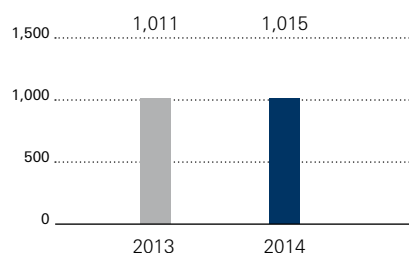
In the first half of 2014, Bertelsmann's businesses recorded solid development. Significant progress was also made with the implementation of the Group strategy. In the reporting period, Group revenues increased significantly by 6.7 percent to €7.8 billion. Operating EBITDA, which contains start-up losses for new businesses of €-32 million and negative exchange-rate effects of €-13 million, again reached a high level at €1,015 million and was slightly above the previous year's figure of €1,011 million. The EBITDA margin was 12.9 percent (H1 2013: 13.7 percent). The significant revenue growth was attributable to the transactions implemented since the previous year. These include the merger of Penguin and Random House, the takeover of the financial services provider Gothia and the e-commerce service provider Netrada by Arvato as well as the full takeover of the music rights company BMG. The Dutch and German television businesses, the book publishing business, some service businesses of Arvato and the music rights business positively impacted operating EBITDA. Weak market development in France had a negative impact on earnings, which overall resulted in a decline in operating EBITDA of €-33 million. In addition, the declining magazine businesses and a number of structurally declining businesses had a negative impact on operating EBITDA. Group profit, at €254 million, was lower than in the previous year (H1 2013: €419 million). The decline is attributable to an impairment loss in the Hungarian television business and the absence of positive special items from the previous year. Bertelsmann remains relatively optimistic about business development for the rest of the year and, despite uncertainty in the overall economic environment and the structurally declining businesses, expects solid business development to continue.

Revenues in € billions¹⁾



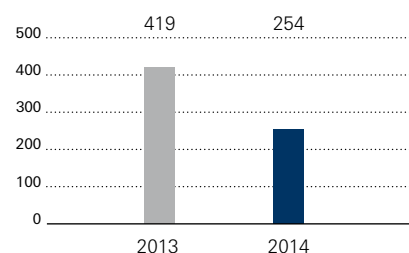
- Revenue growth of 6.7 percent
- Portfolio expansions will increase the growth profile in the long term
- Revenue losses due to structurally declining businesses and divestments

Operating EBITDA in € millions¹⁾



- Operating EBITDA slightly above the previous year's level
- Earnings reduced by weak market development in France, declining magazine businesses and structurally declining businesses
- EBITDA margin of 12.9 percent

Group Profit in € millions



- Group profit is down year on year
- Previous year's figure benefited from positive special effects from revaluations
- Negative special items, in particular impairment losses in the Hungarian television business

¹⁾ Figures adjusted for H1 2013.

Business and Economic Conditions

Description of Business and Organizational Structure

Bertelsmann operates in the core business fields of media and services in around 50 countries worldwide. Its geographic core markets are in Western Europe, in particular Germany, France, the UK and Spain, as well as in the United States. In addition, Bertelsmann is strengthening its involvement in growth markets such as China, India and Brazil. Bertelsmann's divisions are RTL Group, with television, radio and television production operations; the book publishing group Penguin Random House; the magazine publisher Gruner + Jahr; the international service provider Arvato and the international printing group Be Printers. Bertelsmann's other operating activities are grouped under Corporate Investments. Among others, these include the music rights company BMG and the remaining club and direct marketing businesses. In addition, the funds Bertelsmann Digital Media Investments (BDMI) and Bertelsmann Asia Investments (BAI), as well as other fund activities in the education sector and in the growth regions, are allocated to Corporate Investments.

Bertelsmann SE & Co. KGaA is a capital-market-oriented but unlisted partnership limited by shares. As a Group holding company, it exercises central corporate functions. Internal corporate management and reporting follow the Group's organizational structure, which consists of the operating divisions plus the Corporate Investments and Corporate Center.

Three foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung and BVG-Stiftung) indirectly hold 80.9 percent of Bertelsmann SE & Co. KGaA shares, with the remaining 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft (BVG) controls all of the voting rights at the Bertelsmann SE & Co. KGaA and Bertelsmann Management SE General Meeting.

Strategy

As an international media and services company, Bertelsmann develops offerings that excite people around the world and provide customers with innovative solutions. Bertelsmann occupies leading market positions in its core sectors of television, books, newspapers, services and print. Bertelsmann's primary objective is continuous growth of the company's value through a sustained increase in profitability (see section "Value-Oriented Management System").

Bertelsmann aims to achieve a more rapidly growing digital and international portfolio with an overall broader revenue structure. In the medium term, the company's two main earnings pillars at present, Media and Services, will be supplemented by a third pillar, Education. Against this backdrop, a strategy was defined on the basis of four directions: strengthening the core businesses, driving the digital transformation forward, developing growth platforms and expanding into growth regions.

In the first half of 2014 and in the following two months, Bertelsmann made significant progress with all four strategic directions. Strengthening the core businesses was achieved, e.g., through investment and acquisitions. For example, RTL Group further expanded its family of channels. Penguin Random House took over the Spanish and Portuguese-language book business from Santillana. The scaling back of structurally declining businesses was continued by the gradual withdrawal from the book club businesses in Germany and Spain and the sale of the US print business Brown Printing. The digital transformation was intensified through acquisitions such as RTL Group's majority share in SpotXchange, a marketing platform for online videos, and the growth of existing digital businesses such as the expanded e-book range offered by Penguin Random House. The growth platforms were expanded further. RTL Group secured a majority share in the TV production company 495 Productions, Arvato took over Netrada in the e-commerce services segment and BMG acquired the music publisher Talpa Music and the music catalogs Montana and Hal David. With an investment commitment as a strategic investor in the University Ventures Fund II, Bertelsmann is continuing to drive forward the expansion of its education business. In view of regional expansion, the music rights subsidiary BMG entered the Chinese market. In India, Bertelsmann acquired shares in the e-commerce platform Pepperfry and invested in an Indian digital fund. Together with a Brazilian investment company Bertelsmann also set up a new ventures capital fund focusing on technologies in the education sector in Brazil.

Value-Oriented Management System

In order to manage and control the Group, Bertelsmann uses revenue, operating EBITDA and Bertelsmann Value Added (BVA) as strictly defined central performance indicators to directly assess business development; these

correspondingly form the basis of the outlook report. In view of the Bertelsmann Group's growth strategy and the associated expansion of its investment activity, operating EBITDA has been used as a central performance indicator since the start of the 2014 financial year for determining the operating earnings power. Operating EBITDA is determined as earnings before interest, tax, depreciation and amortization and is adjusted for special items. This makes it a meaningful key performance indicator for determining a sustainable operating result.

Revenue as a growth indicator of businesses increased significantly in the first half of 2014 by 6.7 percent to €7.8 billion (H1 2013: €7.4 billion). Operating EBITDA of €1,015 million during the reporting period was above the previous year's figure (H1 2013: €1,011 million).

The central performance indicator for assessing the profitability from operations and return on invested capital is BVA. BVA measures the profit realized above and beyond the appropriate return on invested capital. This form of value orientation is reflected in strategic investment and portfolio planning and the management of Group operations and is the basis for management compensation. BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is calculated as operating EBIT less a standard 33 percent flat rate of tax. Cost of capital is the product of the weighted average cost of capital and the level of capital invested. The uniform weighted average cost of capital after taxes is 8 percent. Invested capital is calculated on the basis of the Group's operating assets less non-interest-bearing operating liabilities. The present value of operating leases is also taken into account when calculating the invested capital. BVA was €4 million in the first half of 2014 (H1 2013: €102 million). The decline is primarily attributable to the increase in invested capital as a result of the increased acquisition activity.

Bertelsmann's management and controlling system also includes the internal financial targets outlined under "Net Assets and Financial Position." The Group is managed and controlled on the basis of these financing principles and they form part of the value-oriented management system in the broader sense of the term, along with the EBITDA margin, the Cash Conversion Rate and non-financial performance indicators.

Overall Economic Developments

The gradual recovery of the global economy continued despite a slight weakness in the first quarter of 2014.

The economic upturn in the euro zone remained modest once more at the start of 2014. Compared to the previous quarter, real gross domestic product (GDP) in the euro zone rose by 0.2 percent in the first quarter of 2014 according to the Statistical Office of the European Union. Growth stagnated in the second quarter of 2014.

The economic situation in Germany improved during the first months of the current financial year. Compared to the previous quarter, real GDP rose by 0.7 percent in the first quarter of 2014, according to the Federal Statistical Office. In view of weaker foreign trade and a decline in investments, real GDP fell by -0.2 percent in the second quarter of 2014 compared to the previous quarter.

The French economy recorded zero growth in the first half of 2014. According to Insee, the French Statistical Office, real GDP in France stagnated in both the first and second quarters of 2014 compared to the previous quarters. France is suffering from high unemployment, which is undermining private consumption.

Projected over the whole year and in view of an unusually harsh winter, real GDP in the United States declined at an annual rate of -2.1 percent in the first quarter of 2014. According to the Bureau of Economics, real GDP is set to grow by an annualized rate of 4.0 percent in the second quarter.

So far, the overall economic developments are within the current-year trend anticipated in the 2013 Group Management Report.

Developments in Relevant Markets

The European TV advertising markets largely grew in the first six months of 2014. In particular, the TV advertising markets in the Netherlands, Spain and Croatia recorded significant growth in the reporting period. The German TV advertising market showed positive development, whereas the French TV advertising market declined.

Overall, the book markets in the United States, UK and Germany remained largely stable. Both in the United States and in the UK, the physical book trade developed largely in line with the previous year's level, while in Germany this market declined. On the other hand, the e-book business continued to grow, albeit at a slower pace.

The advertising and circulation markets for consumer magazines declined in the first half of 2014 in Europe and in China as a result of increased structural change and a shift of advertising budgets.

The service markets for Customer Relationship Management, Supply Chain Management, Financial Solutions, IT Solutions and Digital Marketing grew in the first six months of 2014. However, the storage media markets fell significantly due to the increasing significance of electronic means of distribution.

The European print markets for magazines, catalogs and promotional materials continued to shrink and were dogged by persistent price and volume competition.

So far, the developments in the relevant markets are essentially within the current-year trend anticipated in the 2013 Group Management Report.

Significant Events in the Current Financial Year

On February 1, 2014, Arvato acquired major parts of the business operations of the German Netrada Group and has since been combining both companies' e-commerce operations. As a result of the takeover, Arvato has become one of the leading European service providers for e-commerce services and, at the same time, benefits from Netrada's strong position in the growing fashion and lifestyle market segment. The range of services includes the development and operation of web shops, financial services, transport and logistics as well as customer service.

Likewise in February 2014, BMG acquired 100 percent of the Dutch music publisher Talpa Music B.V. As a result of the acquisition, BMG is becoming one of the leading publishers of local repertoire in the Benelux countries.

Based on an investment commitment announced at the end of March 2014, the education business will be further expanded. Bertelsmann is now a strategic investor in the University Ventures Fund II, a fund that is managed by experienced entrepreneurs and investors from the education segment. Bertelsmann is already the anchor investor in the predecessor fund University Ventures Fund I, which invests in innovative education providers in the United States and Europe and has also founded individual companies.

On May 30, 2014, Gruner + Jahr completed the sale of its US print business Brown Printing Company to Quad/Graphics, Inc for strategic reasons.

In June 2014, Bertelsmann announced that the German-speaking club businesses will be gradually closed down by the end of 2015 due to a lack of economic prospects. In

addition, Bertelsmann divested itself of its shares in the book club *Círculo de Lectores* in Spain. The shares were taken over by the Spanish publisher Grupo Planeta, which has held half of the shares in the Spanish book club since 2010. The business was closed at the end of July 2014.

Results of Operations

Revenue Development

In the reporting period, consolidated revenues increased by 6.7 percent to €7,846 million (H1 2013: €7,354 million). The significant increase in revenue was 10.3 percent attributable to portfolio and other effects, while exchange rate effects had an impact of -1.2 percent. Organic growth was -2.4 percent.

RTL Group posted a decline in revenues for the first half of the year, particularly due to the weak development of advertising revenues in France and the falling revenues at Fremantle Media. Penguin Random House recorded a sharp increase in revenues thanks to the merger that took place in the second half of 2013. At Gruner + Jahr, revenues fell as a result of an increased decline in the advertising business and lower circulation revenues, while the revenues from digital businesses continued to grow. Arvato generated significant revenue growth. Growth in the Solution Groups Supply Chain Management, Financial Solutions and IT Solutions contrasted with lost revenues in the structurally declining replication business. The revenues at Be Printers continue to be affected by the structural decline of the gravure print businesses. Revenues at Corporate Investments increased slightly. The increased revenues at BMG were used up by the gradual closure of the book club and direct marketing businesses.

There were moderate changes in the geographical breakdown of revenues compared to the same period in the previous year. Revenue share in Germany fell slightly to 35.2 percent compared to 36.3 percent in the first half of 2013. The revenue share generated by businesses in France amounted to 15.2 percent, which was slightly lower than the previous year (H1 2013: 17.1 percent), while other European countries accounted for 24.5 percent (H1 2013: 24.1 percent). The share of total revenues generated in the United States rose to 18.9 percent (H1 2013: 16.4 percent), and other countries accounted for a share of 6.2 percent (H1 2013: 6.1 percent). With these, the total share of revenues represented by foreign business increased from 63.7 percent in the first half of 2013 to 64.8 percent. The ratio of the four revenue streams (products and merchandise, advertising, services, and rights and licenses) to each other changed slightly as a result of the portfolio expansions, particularly through Penguin Random House. While the revenue share from the sale of products and merchandise increased by 2.1 percentage points, the revenue share generated by advertising fell by 2.3 percentage points. The remaining composition remained largely unchanged.

Operating EBITDA and Operating EBIT

Bertelsmann achieved operating EBITDA of €1,015 million during the reporting period (H1 2013: €1,011 million). The

EBITDA margin of 12.9 percent was in line with the high level of 13.7 percent in the same period last year.

RTL Group's operating EBITDA fell, primarily as a result of the weak market situation in France and the development of Fremantle Media. Penguin Random House earnings grew as a result of the merger. However, the increase was lower than the growth in revenues as the same period last year profited from an outstanding bestseller performance. The earnings development at Gruner + Jahr was below the previous year's figure due to lower revenues in the German and international magazine business and in the US print business, which was sold off in the reporting period. In addition, the expansion of the digital business reduced earnings. Operating EBITDA of Arvato increased as a result of the acquisitions and these more than compensated for the declining earnings in the Solution Groups Customer Relationship Management and Print Solutions. The decrease in revenues at Be Printers burdened earnings and could only be partially offset by cost-cutting measures. The positive earnings development at Corporate Investments is primarily attributable to BMG.

In the first half of 2014, operating EBIT came to €726 million (H1 2013: €768 million).

Special Items

In the first half of 2014, the planned scaling back of structurally declining businesses continued. For example, the expenses associated with the exit from the German-speaking book club businesses accounted for a large part of the restructuring costs. Further restructuring costs arose from the implementation of the integration of Penguin Random House. In addition, an impairment loss at RTL Group in Hungary was recognized. The impairment resulted from a new tax on advertising revenues imposed by the Hungarian parliament.

In total, special items came to €-172 million in the reporting period, compared to €44 million in the same period last year. They consisted of impairment losses and write-ups totaling €-98 million (H1 2013: €68 million), revaluations of investments carried at fair value of €2 million (H1 2013: €108 million), net capital gains and losses of €6 million (H1 2013: €8 million), restructuring expenses and other special items totaling €-82 million (H1 2013: €-140 million).

EBIT

Adjusting operating EBIT for special items totaling €-172 million (H1 2013: €44 million) resulted in EBIT of €554 million (H1 2013: €812 million).

Group Profit or Loss

The financial result was €-125 million (H1 2013: €-158 million). Tax expenses were €-178 million, compared to €-200 million in the same period last year. Earnings after taxes from discontinued operations were €3 million (H1 2013: €-35 million) and comprises follow-on effects in connection with the sale of the former Direct Group division. Group profit fell to €254 million from €419 million in the same period last year. The decline is primarily attributable to the impairment loss in the Hungarian TV business, which was included in special items, as well as the absence of the positive effects of revaluations of investments that were included in the previous year's figure. The share of Group profit held by Bertelsmann shareholders was €121 million (H1 2013: €306 million). The non-controlling interests in the Group profit came to €133 million (H1 2013: €113 million).

Net Assets and Financial Position

Financial Guidelines

The primary objective of Bertelsmann's financial policy is to achieve a balance between financial security, return on equity and growth. For this, Bertelsmann bases its financing policy on the requirements of a "Baa1/BBB+" credit rating and the associated qualitative and quantitative criteria. Credit ratings and capital market transparency make a considerable contribution to the Group's financial security and independence.

In accordance with the Group structure, the capital allocation is done in a centralized way via Bertelsmann SE & Co. KGaA, which provides the Group companies with liquidity and manages the issuance of guarantees and letters of comfort for Group companies. The Group consists largely of a single financial unit, thereby optimizing capital procurement and investment opportunities.

Bertelsmann utilizes a financial control system employing quantitative financial targets concerning the Group's economic debt and, to a lesser extent, its capital structure. One key financial target is a dynamic leverage factor calculated as the ratio of economic debt to operating EBITDA over a 12-month period and limited to the defined maximum of 2.5. Economic debt is defined as net financial debt plus provisions for pensions, profit participation capital and the net present value of operating leases. Like operating EBITDA, the economic debt may be modified for calculation purposes if necessary. As of June 30, 2014, the leverage factor was 2.4.

The net financial debt increased to €1,224 million compared to €681 million as of December 31, 2013. The increase is primarily attributable to dividend payments to shareholders

and non-controlling interests, most of which were made during the first half of the year. The economic debt was €5,135 million as of June 30, 2014 (December 31, 2013: €4,216 million). The increase is essentially due to the increase in pension provisions as a result of a lower discount rate and the increase in net financial debt.

Financing Activities

In the reporting period, the bond due in January 2014 and the promissory notes due in February and March 2014 were paid from existing liquidity when they became due. The Bertelsmann Group has a syndicated loan that runs until 2018. This forms the backbone of the strategic credit reserve, and Bertelsmann can utilize this to draw down up to €1.2 billion of revolving funds in euros, US dollars and pounds sterling. In July 2014, Bertelsmann prematurely renewed the syndicated loan until 2019.

Rating

Bertelsmann is rated by the rating agencies Moody's and Standard & Poor's (S&P). Bertelsmann is rated by Moody's as "Baa1" (outlook: stable) and by S&P as "BBB+" (outlook: stable). Both credit ratings are in the investment-grade category and meet Bertelsmann's target rating. Bertelsmann's short-term credit quality rating is "P-2" from Moody's and "A-2" from S&P.

Consolidated Cash Flow Statement (Summary)

in € millions	H1 2014	H1 2013 (adjusted)
Cash flow from operating activities	405	658
Cash flow from investing activities	(359)	(904)
Cash flow from financing activities	(1,600)	(26)
Change in cash and cash equivalents	(1,554)	(272)
Currency effects and other changes in cash and cash equivalents	10	(1)
Cash and cash equivalents as of 1/1	2,715	2,625
Cash and cash equivalents as of 6/30	1,171	2,352
Less cash and cash equivalents included within assets held for sale	—	(2)
Cash and cash equivalents as of 6/30 (according to the consolidated balance sheet)	1,171	2,350

Cash Flow Statement

Total Group earnings before interest and taxes are the starting parameter for preparing the Bertelsmann cash flow statement. In the reporting period, Bertelsmann generated cash flow from operating activities of €405 million (H1 2013: €658 million). This development is attributable, among other things, to higher tax payments as a result of aperiodic effects and an increase in net working capital. The Group's long-term operating free cash flow adjusted for non-recurring items was €463 million (H1 2013: €613 million). At €-359 million, cash flow from investing activities was significantly below the level for the first half of the previous year (H1 2013: €-904 million). The previous year's high figure resulted from purchase price payments for the acquisitions made during the same period in the previous year. The cash flow from financing activities came to a much higher outflow of €-1,600 million (H1 2013: €-26 million). The increase is primarily attributable to the repayment of financial liabilities during the reporting period. The previous year's figure included proceeds from the placement of RTL Group shares. In particular as a result of the repayment of due financial liabilities from existing liquidity, cash and cash equivalents as of June 30, 2014, fell to €1,171 million (December 31, 2013: €2,705 million).

Investments

Investments, according to the cash flow statement for the first half of 2014, were €460 million (H1 2013: €928 million). As in the same period last year, the majority of the investments in property, plant and equipment, totaling €143 million (H1 2013: €133 million), stemmed from Arvato. Investments in intangible assets came to €142 million (H1 2013: €201 million) and were attributable primarily to RTL Group for investments in film rights and to BMG for the acquisition of music catalogs. The sum of €77 million was invested in financial

assets (H1 2013: €54 million). Purchase price payments for consolidated investments (less acquired cash and cash equivalents) totaled €98 million in the reporting period (H1 2013: €540 million) and were attributable primarily to investments in the e-commerce service provider Netrada, the music publisher Talpa and the production company 495 Productions.

Consolidated Balance Sheet

Total assets came to €19.9 billion as of June 30, 2014 (December 31, 2013: €21.4 billion). The decline is primarily attributable to the repayment of due financial liabilities from existing liquidity. Equity was €8.3 billion compared to €8.7 billion as of December 31, 2013. This resulted in a slightly higher equity ratio of 41.7 percent (December 31, 2013: 40.8 percent). Pension provisions increased to €2.3 billion as a result of a lower discount rate (December 31, 2013: €1.9 billion). Cash and cash equivalents were down to €1,171 million as of June 30, 2014, from €2,705 million as of December 31, 2013.

Employees

As of June 30, 2014, Bertelsmann had 111,761 employees worldwide (December 31, 2013: 111,099).

Performance of the Group Divisions

RTL Group

The leading European entertainment network generated revenues of €2.7 billion in the first half of 2014 (H1 2013: €2.8 billion). This slight decline in revenues is primarily due to difficult market conditions in France and the decline in revenues at Fremantle Media. However, operations in the Netherlands in particular showed positive developments.

RTL Group's operating EBITDA totaled €612 million (H1 2013: €631 million) and was particularly affected by the market-related drop in earnings at Groupe M6 and RTL Radio in France, and by Fremantle Media. However, Mediengruppe RTL Deutschland achieved record earnings and RTL Nederland was able to significantly increase operating profits. Due to the introduction of a new tax on advertising revenue by the Hungarian parliament, an impairment of €-88 million was made to the TV operations in Hungary. As a special item, this has no impact on RTL Group's operating EBITDA.

RTL Group was largely able to maintain its leading audience positions in its core territories, even though the soccer World Cup in June was broadcast by competitors. Mediengruppe RTL Deutschland's audience share in its main target group was slightly down year on year to 29.2 percent (H1 2013: 31.2 percent). However, RTL Television was still the clear number one among 14- to 59-year-old audiences. RTL Nitro, the channel launched in 2012, almost doubled its audience share in the first half of 2014 to 1.5 percent (H1 2013: 0.8 percent). In France, the Groupe M6 family of channels registered a slight decrease in audience share. The new channel 6ter, launched in December 2012, developed positively. The audience share of the Dutch family of channels around RTL 4 was also slightly below the level of the first half of 2013.

In the digital domain, RTL Group continued to show dynamic growth thanks to its online platforms, mobile applications and YouTube activities. 15.7 billion online video views were generated in the first six months of the year – a 226 percent increase compared to the first half of 2013. Online video advertising revenues also increased significantly during the reporting period.

Penguin Random House

The world's largest trade publishing group's results for the first half of 2014 were driven by strong bestseller performances, especially from its children's divisions worldwide. Achievement of key milestones for the integration of the Penguin and Random House businesses continues on track in all territories.

Bertelsmann owns 53 percent of shares in Penguin Random House, which was established by merger on July 1, 2013; Pearson owns 47 percent.

The group generated revenues of €1.5 billion in the reporting period, including the publishing businesses of Random House in Germany, which are fully owned by Bertelsmann, thus representing a 60 percent increase over Random House's revenues in the first half of 2013 (€915 million). Operating EBITDA was €159 million (H1 2013: €131 million).

In the United States, Penguin Random House placed 430 titles on the "New York Times" bestseller lists in the first six months of 2014. The half-year top-selling title was John Green's young adult novel "The Fault in Our Stars," which sold more than four million copies in print and e-book formats in North America. Other children's and young adult books in high demand include the multimillion-copy-selling tie-ins with the movie "Frozen," "Wonder" by R. J. Palacio and "The Book Thief" by Markus Zusak. Among the largest-selling adult titles were "The Invention of Wings" by Sue Monk Kidd, "Duty" by Robert Gates and the paperback editions of Dan Brown's "Inferno" and "Gone Girl" by Gillian Flynn.

In the UK, Penguin Random House commanded 45 percent of the "Sunday Times" bestseller list. "The Fault in Our Stars" was also this division's biggest seller, with Jeff Kinney's "Diary of a Wimpy Kid: Hard Luck" a major success as well.

At Penguin Random House Grupo Editorial, positive results in the Latin American territories offset the impact of the ongoing challenging market conditions in Spain. In March, Penguin Random House reached an agreement to acquire the Spanish- and Portuguese-language trade publishing companies of Santillana Ediciones Generales, including the Brazilian publisher Objetiva. The transaction involving the Spanish-language businesses was completed on July 1, 2014.

Verlagsgruppe Random House in Germany grew its sales of e-books and audiobooks, placing 231 titles on the "Der Spiegel" bestseller lists.

Penguin Random House invested across its divisions in extending the reach of its digital content and expanding its digital marketing, as well as introducing new web verticals and apps. Several of the group's authors won major literary awards, including Dan Fagin, who won the US Pulitzer Prize for General Nonfiction for "Toms River."

Gruner + Jahr

In the first half of 2014, Gruner + Jahr continued its strategic transformation from a traditional magazine publisher to a creative house of content. Driven by the decline of the magazine business and portfolio adjustments, G+J's revenues fell to €908 million during the reporting period (H1 2013: €1.0 billion). At the same time, Gruner + Jahr's revenues from digital activities increased across all countries. As a result of the overall decline in revenues, operating EBITDA fell to €77 million (H1 2013: €108 million).

At G+J Germany, the decline in the magazine business had a significant impact on revenues and earnings. G+J countered this decline with a product campaign based on the publisher's leading brands such as "Brigitte" and "Gala" and with the launch of new titles (e.g., "Flow") as well as numerous special issues. The company continued the expansion of its digital business. G+J strengthened its position in the advertising market through acquisitions such as Veeseo and Trnd.

Overall, the international business showed a downturn. Activities in Austria and China generated revenues and earnings below the levels of the previous year. Meanwhile, despite weaker revenues, G+J Spain increased its earnings, thanks to structural measures taken in 2013. G+J France strengthened its position in digital marketing by acquiring France's leading video marketer Advideum shortly before the end of 2013 and kept its revenues largely stable.

Dresdner Druck- und Verlagshaus was able to slightly increase its revenues and earnings year on year and on a like-for-like basis.

Arvato

The international services provider Arvato grew in the first half of 2014, both organically and through acquisitions, and increased its revenues in the reporting period by 5.5 percent to €2.2 billion (H1 2013: €2.1 billion). As a result of the revenue growth, operating EBITDA increased slightly to €162 million from €160 million in the same period last year; the earnings contributions of the acquisitions compensated for declines in earnings in individual businesses.

During the reporting period, Arvato grew its revenues and earnings in areas including services for international customers in the Internet, high-tech, healthcare and automotive sectors. With the acquisition of Netrada, completed on February 1, 2014, Arvato became a leading European provider of e-commerce services, strengthening its position in the field of supply-chain management.

The financial services business, which benefited from the takeover of Gothia Financial Group in the previous year, also contributed to Arvato's growth. In contrast, revenues from storage media replication continued to decline, as expected.

Arvato improved its position in key growth markets and industries in the first half of the year, expanding the services businesses in India, Turkey and Poland and acquiring new customers. Arvato also consolidated its leading position in the European market for customer relationship management by taking over five service centers.

Be Printers

The gravure printers and international offset printing plants, grouped into the Be Printers division, generated first-half revenues of €482 million in a market environment characterized by declining print runs and surplus capacity (H1 2013: €512 million). The division's operating EBITDA decreased to €25 million (H1 2013: €29 million).

In Germany and the UK, the gravure division Prinovis was able to secure printing contracts for several major magazine packages for several years. However, lower overall print volumes caused a slight decline in revenues and earnings at Prinovis. Production at the Itzehoe plant was terminated on April 30, 2014, as planned. In Ahrensburg, the workforce adopted a "Future Package."

Be Printers Americas agreed on a multiyear contract extension with Penguin Random House, which will increase capacity utilization at the company. Continued cost discipline served to enhance results.

Due to macroeconomic developments in Italy and Spain, Be Printers Southern Europe recorded lower order volumes and further price declines.

Corporate Investments/Corporate Center

In the first half of 2014, Corporate Investments reported an increase in revenues to €254 million (H1 2013: €235 million) and operating EBITDA of €16 million (H1 2013: €-10 million). In particular, the growing business and full consolidation of the music rights company BMG for the entire half-year – BMG has been wholly owned by Bertelsmann since March 30, 2013 – had a positive effect. By contrast, the club and direct-marketing businesses declined as planned.

BMG continued its growth course during the reporting period, acquiring the music rights companies or catalogs of Talpa Music, Montana and Hal David, with numerous classics in their portfolios. At the same time, BMG signed new contracts with several well-known artists, including the Smashing Pumpkins, The Strokes, George Ezra and the Beatsteaks. The company was Germany's most successful music publisher in the first half of 2014 – almost 21 percent of all singles in the German charts were from BMG. In addition, BMG entered the Chinese market.

In the field of education, Bertelsmann continued to drive forward the preparations for the expansion of this business, and committed to investing a sum in the triple-digit millions in a second University Ventures fund. In Brazil, Bertelsmann teamed up with a partner to establish a fund for investments in the education sector at the beginning of the year.

The BDMI digital investment fund with a focus on the United States, and BAI for investments in promising companies in China, acquired new shareholdings during the reporting period, including one in the IT recruiting platform Lagou.com. In India, investments were made in growth businesses including online marketplaces for furniture and real estate.

Revenues and earnings from the club and direct-marketing businesses continued to diminish as planned. The sale of the businesses in Czech Republic and Slovakia was completed on March 31, 2014. In June, the decision was made to discontinue the German club business at the end of 2015. The sale of the 50 percent stake in Círculo de Lectores to the co-owner of Grupo Planeta went ahead and was completed on July 29, 2014.

During the reporting period, the Corporate Center and the divisions together advanced the multiyear Operational Excellence program to optimize business support processes in the areas of HR, finance, IT and sourcing across the Group.

Significant Events after the Balance Sheet Date

On July 1, 2014, Penguin Random House completed the takeover of the publishing group Santillana Ediciones Generales from the Spanish media company Prisa, which had been announced in March 2014. The acquired publishing group will be merged with the activities of Penguin Random House in Spain, Portugal and Latin America, greatly enhancing growth potential, in particular in Latin America.

On July 4, 2014, the General Meeting of Bertelsmann SE & Co. KGaA elected Murat Cetin to the company's Supervisory

Board. As employee representative, he succeeds Horst Keil, who left the Board in May 2014.

At the end of July 2014, RTL Group announced its acquisition of a majority share in SpotXchange. The US company operates one of the largest platforms for the automated sale of online video advertising. The transaction remains subject to the approval of the US competition authority and is expected to be completed at the end of August 2014.

Risks and Opportunities

Risk Management System

Please refer to the 2013 Group Management Report for a description of Bertelsmann's risk management system (RMS) and the accounting-related RMS and internal control system (ICS).

Significant Changes in Risks since the 2013 Group Management Report

Please also refer to the 2013 Group Management Report for a presentation of key risks to the Bertelsmann Group. The following significant changes have been identified as part of the risk report of June 30, 2014. Overall, after the first half-year, the same Group risks are considered material as those existing as of December 31, 2013. However, the significance of individual types of risk in terms of Bertelsmann's future business development has changed. The risks of loss of audience and market share assessed as moderate as of December 31, 2013, have become more significant. With respect to customer-related risks, which continue to represent the most significant risk within the Group, the increase in individual risk positions is noticeable, particularly at Arvato and Be Printers.

Strategic and Operational Risks

The economic outlook in the euro zone remains subject to certain risks. In addition, geopolitical uncertainties have increased. For Bertelsmann, this primarily results in risks to businesses that depend on the advertising market.

The consequences of the tax on advertising income introduced by the Hungarian parliament in August 2014 cannot be fully predicted at present. It will inevitably have an adverse impact on the results of operations of the Hungarian television business. In addition, the possibility of further impairments cannot be ruled out.

Furthermore, the strategic and operational risk position for the individual divisions and the Group remains essentially

unchanged from that depicted in the 2013 Group Management Report.

Legal and Regulatory Risks

Please also refer to the 2013 Group Management Report for details of the legal and regulatory risks. No significant changes have been identified.

Financial Market Risks

Risks associated with the financing of the Bertelsmann Group have not changed significantly compared to 2013.

Overall Risk

The overall risk position has increased slightly compared with the previous year. No risks endangering Bertelsmann's continued existence were identified as of June 30, 2014, nor are there any substantial risks discernible from the current perspective that could threaten the continued existence of the Group.

Opportunities

The assessment of opportunities has not changed substantially compared to the information presented in the 2013 Group Management Report.

Outlook

The global economy is expected to gradually improve over the rest of the year. The basic dynamic remains slow, however. In many advanced economies, the consolidation processes are contrasted by a stronger increase in demand, and the prospects remain rather subdued even in emerging countries. The economic estimates by the Kiel Institute for the World Economy (IfW) concerning global development are 3.5 percent for 2014, which are slightly below the previous expectations.

The expectations for the development of the US economy have been lowered in view of the poor start to the year. The IfW therefore expects real GDP in the United States to grow slightly by 1.8 percent this year. The economy in the euro zone will only recover slowly, as there remains a high level of debt and difficult credit conditions, particularly in crisis countries, continue to restrict growth. According to its latest estimates,

the IfW expects real GDP in the euro zone to grow by 1.0 percent in 2014. Over the rest of the year, the economic expansion in Germany is expected to accelerate. The IfW expects real GDP to grow by 2.0 percent in 2014. According to the latest calculations by the Federal Statistical Office, real BIP fell by -0.2 percent in the second quarter of 2014 compared to the preceding quarter, which indicates that the dynamic of German economic development is slowing.

These expectations remain subject to certain risks. According to the current estimate of the European Central Bank, the economic risks in the euro zone are high as a result of the increase in geopolitical risks and development in the emerging countries and on the global financial markets. The resulting developments could adversely impact the economic situation, which is a key factor influencing Bertelsmann's business development.

On the comparable basis of the forecasts detailed in the 2013 Annual Report, Bertelsmann expects Group revenues for 2014 to increase significantly as a result of the portfolio expansions from the 2013 financial year, which have to be taken into account for the full year, and operating EBITDA to remain stable. In view of higher amortization on intangible assets as a result of the acquisitions, Bertelsmann expects operating EBIT development to remain stable or fall slightly compared with the previous year. As a result of the portfolio expansions in financial year 2013, which have to be taken into account for the full year, as well as higher operating investments, Bertelsmann anticipates a significant increase in the level of invested capital in financial year 2014. Against this backdrop, a persistently low overall return on investment and a strong fall in BVA are expected. The revenues of Penguin Random House will be strongly above the previous year's figure as they are taken into account for the full year's period in the consolidated financial statements for financial year 2014.

These forecasts are based on Bertelsmann's current business strategy as outlined in the "Business and Economic Conditions" section. The forecasts reflect a careful consideration of risks and opportunities and are based on operational planning and the medium-term outlook for the corporate divisions. All statements concerning potential economic and business developments represent opinions advanced on the basis of the information that is currently available. Should underlying suppositions fail to apply and/or further risks arise, actual results may differ from those expected. Accordingly, no assurances can be provided concerning the accuracy of such statements.